

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6636

BILL NUMBER: HB 1089

NOTE PREPARED: Dec 26, 2007

BILL AMENDED:

SUBJECT: Fire Sprinkler Contractors and Installers.

FIRST AUTHOR: Rep. Niezgodski

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Certification.* This bill requires the Fire Prevention and Building Safety Commission to certify (1) automatic fire sprinkler contractors; (2) journeyman automatic fire sprinkler fitters; and (3) automatic fire sprinkler system apprentices. The bill exempts certain contractors from the requirements. It establishes requirements for certification.

Penalty. It makes it a Class B misdemeanor for a person to engage in certain acts concerning fire sprinkler certification requirements.

Miscellaneous. The bill makes technical corrections, including corrections undoing changes made in 2007 under Joint Rule 20 to resolve certain technical conflicts. (It is necessary to undo those changes because of the veto of one enrolled act.)

Effective Date: July 1, 2008.

Explanation of State Expenditures: *Summary.* Additional state expenditures for the first year could range from \$145,000 to \$253,000. However, certification fees established could cover costs or pay for a portion of the costs. Fees would be deposited in the state General Fund. There are no appropriations in the bill.

Background Information.

Certification. The Fire Prevention and Building Safety Commission is charged with enforcing and administering the law; prescribing requirements for certification; and establishing fees and rules. Adding to

the responsibilities of the commission will increase administrative costs for the Department of Homeland Security (DHS), which provides administrative assistance to the commission. The specific increase is not determinable, but new costs could be reduced if the commission extended the length of its meetings, as opposed to holding additional meetings, in order to provide oversight for the certification.

Additional Staff. The DHS would provide administrative services for the commission. In order to take on the administrative responsibilities of a new commission, DHS would need additional staff. At a maximum, the DHS would need the following administrative personnel: one FTE EXBB to serve as commission director (\$40,326 base annual salary); one FTE PAT 2 to serve as assistant commission director (\$32,734 base annual salary) and two FTE Clerical Assistant 2 to serve as case managers (\$22,048 base annual salary per person). The proposal also requires the commission to investigate complaints which would require one FTE PAT 3 investigator (\$29,172 base annual salary). Including benefits, estimated at 38%, the personnel expense for the first year is \$202,000.

If DHS hired one director and one investigator to handle violations, staffing expenses would equal an estimated \$100,000.

Overhead. The DHS would require additional computers, office furniture, telephones, and other office equipment. Estimates of these overhead expenses are listed below.

Desks, chairs, computers, phones for 3 staff	\$10,000
Office supplies (annual expense)	\$1,300
Telecommunications/data support for 3 staff (annual expense)	\$7,200
Printing and postage *	\$20,700
Leased automobile for investigator - \$200/month	\$2,400
Gasoline for leased automobile \$350-\$500 month	\$5,100
Investigator lodging and subsistence	\$4,200
Subtotal	\$50,900
* Includes printing and mailing applications, printing statutes and rules, corresponding with applicant, and printing and mailing wall certificates and pocket licenses.	

If DHS provided electronic correspondence and legal documents, costs for printing and postage could be significantly decreased. Also, if DHS were allowed only two staff, the above costs would be decreased to an estimated \$45,000.

Based upon the foregoing estimates, the maximum costs for the first year of operations would be approximately \$253,000. If DHS allowed only two staff, expenses would be reduced to approximately \$145,000.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources currently being used in another program; (2) funds that, otherwise, would be reverted; or (3) new appropriations. Ultimately, the source of funds and resources required to

satisfy the requirements of this bill will depend upon legislative and administrative actions.

For FY 2007, DHS reverted \$2.5 M to the state General Fund.

Office of the Attorney General. The Consumer Protection Division of the Office of the Attorney General (AG) has investigative and prosecutorial responsibilities under IC 25-1-7. In addition, the Advisory Section of the Office of the Attorney General will serve as legal counsel for the commission and provide assistance with commission meetings, rule promulgation, interpretation of statutes and rules, and litigation. The AG may also experience an increase in administrative expenses associated with this bill.

Explanation of State Revenues: *Certification.* The fiscal impact to the state is based on the following estimates.

Anticipated number of contractors eligible for initial certification	30
Anticipated number of installers eligible for initial certification	1,200–1,500
Total number requiring certification	1,230–1,530

The renewal period for licenses is two years. Based on potential additional expenditures of a maximum of \$253,000 per year and based on the minimum potential number of applicants, fees would have to be set at an estimated maximum average of \$411 ($(\$253,000 / 1,230) * 2$) to cover costs. Based on potential additional expenditures of a minimum of \$145,100 per year and based on the potential maximum number of applicants, fees would have to be set at an estimated minimum average of approximately \$190 ($(\$145,000 / 1,530) * 2$) to cover costs.

Revenue collected for fees is deposited in the state General Fund.

Penalty Provision. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class B misdemeanor is \$1,000. Criminal fines are deposited in the Common School Fund.

If the case is filed in a circuit, superior, or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund. In addition, some or all of the judicial salaries fee (\$17), the public defense administration fee (\$3), the court administration fee (\$3), the judicial insurance adjustment fee (\$1), and the DNA sample processing fee (\$1) are deposited into the state General Fund.

Explanation of Local Expenditures: *Certification.* Local units could experience an increase in costs if hiring certified professionals resulted in an increase in installation costs for local units wanting to have fire sprinklers installed in public buildings.

Penalty. A Class B misdemeanor is punishable by up to 180 days in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

Explanation of Local Revenues: *Penalty.* If additional court actions occur and a guilty verdict is entered,

local governments would receive revenue from the following sources: The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. In addition, several additional fees may be collected at the discretion of the judge and depending upon the particular type of criminal case.

State Agencies Affected: DHS.

Local Agencies Affected: Trial courts, local law enforcement agencies, and local units wanting to install sprinklers in public buildings.

Information Sources: DHS.

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